Contracting and Marine Services Company - K.S.C. (Closed)
and its Subsidiaries
State of Kuwait

Consolidated Financial Statements and Independent Auditor's Report
For the year ended 31 December 2020

Contracting and Marine Services Company - K.S.C. (Closed)
and its Subsidiaries
State of Kuwait

Consolidated Financial Statements and Independent Auditor's Report
For the year ended 31 December 2020

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Independent Auditor's Report

To the Shareholders of Contracting and Marine Services Company - K.S.C. (Closed)
State of Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of Contracting and Marine Services Company - K.S.C. (Closed) ("the Parent Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the financial year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its cash flows for the financial year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis of Opinion
We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of this report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Kuwait, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter
The consolidated financial statements of Contracting and Marine Services Company - K.S.C. (Closed) for the year ended 31 December 2019 were audited by another auditor who expressed an unqualified opinion on 15 April 2020.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Group's management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

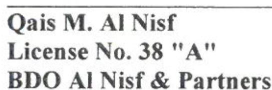
- Obtain sufficient appropriate audit evidence regarding the financial information of the Group or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Those Charged with Governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

In our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance with the Parent Company's books. We further report that we obtained the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate information that is required by the Companies Law No. 1 of 2016 and its Executive Regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016, and its Executive Regulations as amended, or of the Parent Company's Memorandum of Incorporation and Articles of association, as amended, have occurred during the year ended 31 December 2020 that might have a material effect on the Group's financial position or its business, except for the fact that the Company owns an investment property and leases it to others.



Qais M. Al Nisf
License No. 38 "A"
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Kuwait: 3 March 2021

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Contracting and Marine Services Company - K.S.C. (Closed)
and its Subsidiaries
State of Kuwait

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2020

	Note	2020 KD	2019 KD
Assets			
Current assets:			
Cash and cash equivalents	5	6,107,680	20,861,416
Term deposits	6	1,453,035	260,637
Financial assets at fair value through profit or loss		356,578	377,335
Accounts receivable and other debit balances	7	44,811,536	43,569,305
Inventories	8	4,840,171	4,269,267
Total current assets		57,569,000	69,337,960
Non-current assets:			
Financial assets at fair value through other comprehensive income	9	1,423,775	1,775,942
Derrick barge under construction	10	-	6,145,215
Investment property	11	2,147,576	2,242,859
Property, plant and equipment	12	341,615,652	341,230,796
Total non-current assets		345,187,003	351,394,812
Total assets		402,756,003	420,732,772
Liabilities and equity			
Current liabilities:			
Due to banks		29,067	179,712
Term loans	13	20,552,933	35,259,530
Murabaha payables	14	7,700,000	6,750,000
Lease liabilities	15	58,910	74,330
Accounts payable and other credit balances	16	33,388,968	41,444,851
Advance payments from customers		2,044,557	8,080,575
Total current liabilities		63,774,435	91,788,998
Non-current liabilities			
Term loans	13	222,440,945	219,019,988
Murabaha payables	14	5,000,000	-
Lease liabilities	15	124,319	206,552
Accounts payable and other credit balances	16	1,284,653	-
Advance payments from customers		6,156,214	7,668,850
Provision for end of service indemnity	17	6,859,007	6,181,334
Total non-current liabilities		241,865,138	233,076,724
Total liabilities		305,639,573	324,865,722
Equity:			
Share capital	18	22,916,620	22,916,620
Share premium		8,998,290	8,998,290
Treasury shares		(110,308)	(110,308)
Statutory reserve	19	7,387,559	7,113,950
Voluntary reserve	20	613,164	613,164
General reserve		605,480	605,480
Treasury shares reserve		108,025	108,025
Other reserve		(86,887)	(86,887)
Fair value reserve		(1,472,401)	(1,120,232)
Revaluation surplus		1,023,693	1,083,910
Retained earnings		9,480,662	8,157,271
Equity attributable to shareholders of Parent Company		49,463,897	48,279,283
Non-controlling interests	21	47,652,533	47,587,767
Total equity		97,116,430	95,867,050
Total liabilities and equity		402,756,003	420,732,772

The accompanying notes on pages 8 to 43 form an integral part of these consolidated financial statements.

Ali Dughaim Al-Shammari
Chairman and CEO

Ahmed Saad Al-Munaifi
Vice Chairman

Contracting and Marine Services Company - K.S.C. (Closed)
and its Subsidiaries
State of Kuwait

Consolidated Statement of Profit or Loss
For the year ended 31 December 2020

	Note	2020 KD	2019 KD
Operating income	22	124,305,991	129,485,418
Operating costs	12 ،23	(109,770,568)	(112,560,895)
Gross profit		14,535,423	16,924,523
General and administrative expenses	23	(4,798,481)	(5,578,486)
Depreciation and amortization	11 ،12	(391,382)	(393,328)
Provision for expected credit losses	7	(200,000)	(240,000)
Provision for slow moving inventory	8	(53,523)	(37,779)
Operating profit		9,092,037	10,674,930
Finance expenses		(7,525,749)	(8,672,100)
Net investments income		57,089	118,047
Gain / (losses) from foreign exchange differences		92,778	(32,216)
Interest income		78,852	50,184
Other income	24	2,083,852	618,033
Profit for the year before Board of Directors' remuneration		3,878,859	2,756,878
Board of directors' remuneration	27	(56,000)	-
Profit for the year		3,822,859	2,756,878
Attributable to:			
The Parent Company's Shareholders		2,680,093	1,627,888
Non-controlling interests	21	1,142,766	1,128,990
Profit for the year		3,822,859	2,756,878
		Fils	Fils
Basic and diluted earnings per share attributable to the Parent Company's shareholders	25	11.72	7.12

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Contracting and Marine Services Company - K.S.C. (Closed)
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State of Kuwait

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2020

	2020	2019
	KD	KD
Profit for the year	3,822,859	2,756,878
Other comprehensive (loss) / income:		
Items that will not be reclassified subsequently to the profit or loss		
Changes in fair value of financial assets at fair value through other comprehensive income	(352,169)	444,664
Other comprehensive (loss) / income for the year	(352,169)	444,664
Total comprehensive income for the year	3,470,690	3,201,542
Attributable to:		
The Parent Company's Shareholders	2,327,924	2,072,552
Non-controlling interests	1,142,766	1,128,990
Total comprehensive income for the year	3,470,690	3,201,542

The accompanying notes on pages 8 to 43 form an integral part of these consolidated financial statements.

Contracting and Marine Services Company - K.S.C. (Closed)
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Consolidated Statement of Changes in Equity
For the year ended 31 December 2020

	Equity attributable to shareholders of Parent Company													
	Share capital KD	Share premium KD	Treasury shares KD	Statutory reserve KD	Voluntary reserve KD	General reserve KD	Treasury shares reserve KD	Other reserve KD	Fair value reserve KD	Revaluation surplus KD	Retained earnings KD	Subtotal KD	Non-controlling interests KD	Total KD
Balance as at 31 December 2018	22,916,620	8,998,290	(110,308)	6,951,161	613,164	605,480	108,025	(86,887)	(1,564,896)	1,144,127	7,775,265	47,350,041	47,536,777	94,886,818
Total comprehensive income for the year	-	-	-	-	-	-	-	-	444,664	-	1,627,888	2,072,552	1,128,990	3,201,542
Transfer to statutory reserve	-	-	-	162,789	-	-	-	-	-	-	(162,789)	-	-	-
Cash dividends (Note 27)	-	-	-	-	-	-	-	-	-	-	(1,143,310)	(1,143,310)	-	(1,143,310)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(1,078,000)	(1,078,000)
Transferred from revaluation surplus to retained earnings	-	-	-	-	-	-	-	-	-	(60,217)	60,217	-	-	-
Balance as at 31 December 2019	22,916,620	8,998,290	(110,308)	7,113,950	613,164	605,480	108,025	(86,887)	(1,120,232)	1,083,910	8,157,271	48,279,283	47,587,767	95,867,050
Total comprehensive (loss) / income for the year	-	-	-	-	-	-	-	-	(352,169)	-	2,680,093	2,327,924	1,142,766	3,470,690
Transfer to statutory reserve	-	-	-	273,609	-	-	-	-	-	-	(273,609)	-	-	-
Cash dividends (Note 27)	-	-	-	-	-	-	-	-	-	-	(1,143,310)	(1,143,310)	-	(1,143,310)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(1,078,000)	(1,078,000)
Transferred from revaluation surplus to retained earnings	-	-	-	-	-	-	-	-	-	(60,217)	60,217	-	-	-
Balance as at 31 December 2020	22,916,620	8,998,290	(110,308)	7,387,559	613,164	605,480	108,025	(86,887)	(1,472,401)	1,023,693	9,480,662	49,463,897	47,652,533	97,116,430

The accompanying notes on pages 8 to 43 form an integral part of these consolidated financial statements.

Contracting and Marine Services Company - K.S.C. (Closed)
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Consolidated Statement of Cash Flows
For the year ended 31 December 2020

	2020 KD	2019 KD
Cash flows from operating activities:		
Profit for the year before Board of Directors' remuneration	3,878,859	2,756,878
Adjustments:		
Depreciation and amortization	24,498,644	25,507,263
Provision for expected credit losses	200,000	240,000
Provision for slow moving inventory	53,523	37,779
Finance expenses	7,525,749	8,672,100
Net investment income	(57,089)	(118,047)
Interest income	(78,852)	(50,184)
Gain from sale of property, plant and equipment	(1,250)	-
Provision for end of service indemnity no longer required	(32,324)	(3,205)
Provision for end of service indemnity	1,212,848	1,171,566
	37,200,108	38,214,150
Changes in operating assets and liabilities:		
Accounts receivable and other debit balances	(1,439,095)	(8,923,242)
Inventories	(624,427)	(112,122)
Accounts payable and other credit balances	(6,888,821)	7,076,058
Advance payments from customers	(7,548,654)	(12,100,840)
Net cash from operations	20,699,111	24,154,004
End of service indemnity paid	(502,851)	(687,134)
Net cash generated from operating activities	20,196,260	23,466,870
Cash flows from investing activities:		
Term deposits	(1,192,398)	994,985
Proceeds on sale of financial assets at fair value through profit or loss	5,999	254,897
Payment for purchase of financial assets at fair value through profit or loss	-	(226,341)
Proceeds from sale of property, plant and equipment	1,250	-
Cash deposited in investment portfolio	(5,913)	(7,678)
Paid for construction of derrick barge under construction	(808,603)	(4,561,320)
Payment for purchase of property, plant and equipment	(17,751,412)	(41,944,117)
Cash dividends received	77,758	80,831
Interest income received	75,716	34,593
Net cash used in investing activities	(19,597,603)	(45,374,150)
Cash flows from financing activities:		
Due to banks	(150,645)	(195,911)
Term loans	(11,285,640)	46,251,795
Murabaha payables	5,950,000	876,000
Lease liabilities paid	(97,653)	(103,300)
Finance charges paid	(7,576,080)	(9,255,254)
Cash dividends paid to the Parent Company's Shareholders	(1,114,375)	(1,117,123)
Cash dividends paid to non-controlling interests	(1,078,000)	(1,078,000)
Net cash (used in) / generated from financing activities	(15,352,393)	35,378,207
Net (decrease) / increase in cash and cash equivalents	(14,753,736)	13,470,927
Cash and cash equivalents at beginning of the year	20,861,416	7,390,489
Cash and cash equivalents at end of the year (Note 5)	6,107,680	20,861,416

The accompanying notes on pages 8 to 43 form an integral part of these consolidated financial statements.

1. Incorporation and activities

Contracting and Marine Services Company ("the Parent Company") is a Kuwaiti Shareholding Closed Company incorporated as per the Memorandum of Incorporation No. 1166/ Vol 3 dated 13 September 1973. The Parent Company was registered in the commercial register under No. 19481 on 30 September 1973.

The principal activities of the Parent Company include:

- Carrying out all marine & oil contracting services including related maintenance works and conduct similar activities through participation or interests in other entities. The Parent Company may have an interest or to participate in any way with institutions practicing activities similar to its activities or which may assist the Parent Company in achieving its objectives inside and outside the State of Kuwait, and may acquire those institutions or have them affiliated to it.

- Utilizing the financial surpluses of the Parent Company by investing them in portfolios managed by specialized companies and entities.

The Parent Company's registered address is the Kuwait Chamber of Commerce and Industry Building, Mezzanine, Mubarak Al-Kabeer St., 9th Trade Area, and its registered address is P.O. Box No. 22853, Safat 13089, State of Kuwait.

The total number of the Group's employees as at 31 December 2020 was 4,000 employees (2019: 4,861 employees).

The consolidated financial statements were authorized for issue by the Parent Company's board of directors on 3 March 2021. The Annual General Assembly of the Parent Company's Shareholders has the power to amend these consolidated financial statements after issuance.

2. Application of new and revised international financial reporting standards ("IFRSs")

a) New standards and amendments effective from 1 January 2020

New standards impacting the Group that have been adopted in the annual consolidated financial statements for the year ended 31 December 2020 are as follows:

Amendments to IAS 1 and IAS 8: Definition of Material
The amendments provide a new definition of material that states, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements.

A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

These amendments had no impact on the consolidated financial statements of, and are not expected to have any future impact on the Group.

2. Application of new and revised international financial reporting standards ("IFRSs") (Continued)

a) New standards and amendments effective from 1 January 2020 (Continued)

Amendments to IFRS 3: Definition of a Business

Amendments to IFRS 3 were mandatorily effective for reporting periods beginning on or after 1 January 2020. The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs.

These amendments had no impact on the consolidated financial statements of the Group, but may impact the future periods should the Group enter into any business combinations.

Amendments to IFRS 7, IFRS 9, IAS 39: Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

Effective 1 June 2020, IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

(a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
(b) The reduction in lease payments affects only payments originally due on or before 30 June 2021;
(c) There is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession.

Accounting for the rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset.

By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in the profit or loss in the period in which the event or condition that triggers the rent concession occurs.

This amendment had no impact on the consolidated financial statements of the Group.

2. Application of new and revised international financial reporting standards ("IFRSs") (Continued)

a) New standards and amendments effective from 1 January 2020 (Continued)

Conceptual Framework for Financial Reporting issued on 29 March 2018
The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities, which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

These amendments had no impact on the consolidated financial statements of the Group.

b) Standards issued but not effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17: Insurance Contracts
This standard will be effective for annual periods beginning on or after 1 January 2023 and replaces IFRS 4 - Insurance Contracts. The new standard applies to all types of insurance contracts, regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The core of IFRS 17 is the general model, supplemented by:

- A specific adoption for contracts with direct participation features (Variable fee approach).
- A simplified approach (premium allocation approach) mainly for short duration contracts.

Early application is permitted provided that the Group also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

This standard is not expected to have any material impact on the Group's consolidated financial statements.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement.
- That a right to defer must exist at the end of the reporting period.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retroactively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

2. Application of new and revised international financial reporting standards ("IFRSs") (Continued)

a) New standards and amendments effective from 1 January 2020 (Continued)

Amendments to IFRS 3: Reference to the Conceptual Framework
In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retroactively.

Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use
In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retroactively to items of property, real estates and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

Amendments to IAS 37: Onerous Contracts – Costs of Fulfilling a Contract
In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

2. Application of new and revised international financial reporting standards (IFRSs) (Continued)

b) Standards issued but not effective (Continued)

Annual Improvements to IFRS Standards 2018-2020 cycle
The following is the summary of the amendments from the 2018-2020 annual improvements cycle:

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the Parent Company, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16 (a) of IFRS 1.

This amendment will become effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 9 Financial Instruments – Fees in the "10 per cent" test for derecognition of financial liabilities
The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

These amendments will become effective for annual periods beginning on or after 1 January 2022, with early application permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

IFRS 16 "Leases": Lease Incentives
The amendment removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

3. Significant accounting policies

3.1 Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"), IFRIC interpretations as issued by the International Financial Reporting Interpretations Committee ("IFRIC") and Companies Law No. 1 of 2016 and its executive regulations, as amended.

3.2 Basis of preparation

The consolidated financial statements are prepared on basis of historical cost except for financial assets at fair value through profit or loss, and financial assets at fair value through other comprehensive income, which are carried at fair value. These consolidated financial statements are presented in Kuwaiti Dinars ("KD"), which is the Parent Company's functional and presentation currency once the consolidated financial statements are prepared.

3. Significant accounting policies (Continued)

3.2 Basis of preparation (Continued)

The preparation of consolidated financial statements in compliance with adopted IFRS requires the use of certain significant accounting estimates. It also requires group management to exercise judgment in applying the Group's accounting policies. The areas of significant judgments and estimates made in preparing the consolidated financial statements and their effect are disclosed in Note 4.

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.3 Current versus non-current classification

The Group presents the assets and liabilities in the consolidated statement of financial position based on their classification to current and non-current. The asset shall be current if:

i) Expected to be recognized, intended to be sold, or depreciated within the normal operational cycle.
ii) Held primarily for the purpose of trading.
iii) Expected to be recognized within twelve months following the reporting date, or
iv) Cash and cash equivalent, unless its trading or usage is limited to settle an obligation for at least twelve months following the reporting date.

Except for the assets that are classified according to the above bases, all other assets shall be classified within the non-current assets.

The liability shall be deemed as current if it is:

i) It is expected to be settled in the normal operating cycle;
ii) Held primarily for the purpose of trading.
iii) Expected to be settled within twelve months following the reporting date, or
iv) There is no conditional right for postponing settlement of the liability for a period of at least twelve months after the reporting date.

Except for the liabilities classified under the basis described above, all other liabilities not satisfying the forgoing criteria are classified as non-current.

3.4 Bases of consolidation

The consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries (referred to as Group):

Name of the subsidiary	Country of incorporation	Principal activity	Percentage of ownership (%) 2020	2019
Direct ownership:				
International Marine Construction Company (K.S.C.C.) (a)	State of Kuwait	Oil and marine contracting	98.5	98.5
Kuwait Drilling Company - K.S.C.C.	State of Kuwait	Drilling operations	51	51
Zone Global Logistics Company – W.L.L. (a)	State of Kuwait	Logistics services	99	99

3. Significant accounting policies (Continued)

3.4 Bases of consolidation (Continued)

Name of the subsidiary	Country of incorporation	Principal activity	Percentage of ownership (%) 2020	2019
Indirect ownership through Kuwait Drilling Company - K.S.C.C.:				
Rataway for General Trading and Contracting Company W.L.L. (a)	State of Kuwait	General Trading and Contracting	99	99
Kuwait Zone for Human Resources Company - S.P.C.	State of Kuwait	Human resources	100	100

a) The Subsidiaries' non-controlling interests are owned by a related party and have been assigned to the Parent Company. Accordingly, the Parent Company has consolidated the financial statements of the subsidiary at 100%.

Subsidiaries are those enterprises controlled by the Parent Company. Control is achieved when the Parent Company:

- Has power over the investee.
- Is exposed, or has rights, to variable returns from its involvement with the investee.
- Has the ability to use its power to affect the investee's returns.

The Parent Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three components of controls listed above.

When the Group holds a percentage less than the majority of voting rights in the investee, it shall have the power over the investee in case of its voting rights have the sufficient practical ability to direct the relevant activities of the investee. In determining the adequacy of the investee voting rights, the Parent Company considers all relevant facts and circumstances, including:

- The Group's voting rights in proportion to distribution of the voting rights attributable to others.
- The potential voting rights held by the Parent Company, holders of other votes or other parties.
- Rights arising from other contractual arrangements.
- Any additional facts and circumstances indicate to the financial ability of the Parent Company to direct the relevant activities when the decision is taken, including the patterns of voting in the previous meetings of shareholders.

The consolidated financial statements include the financial statements of the subsidiaries from the date on which effective control begins until the date on which effective control ceases. Specifically, income and expenses of subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Parent Company gains control until the date when the Parent Company ceases to control over the subsidiary. All intra-company balances and transactions, including the mutual profits and unrealized losses and profits are eliminated in full on consolidation. The consolidated financial statements are prepared using unified accounting policies for like transactions and other events in similar circumstances.

Non-controlling interests of the net assets of the consolidated subsidiaries are stated in a separate item of the Group's equity. Profits or losses and each item of other comprehensive income relating to the Parent Company's Shareholders and non-controlling interests even if this results recognizing a deficit in the non-controlling interests balance.

Non-controlling interests are measured either at fair value, or at their respective proportionate interest of the acquiree's identifiable assets and liabilities, on a transaction-by-transaction basis.

3. Significant accounting policies (Continued)

3.4 Basis of consolidation (Continued)

Changes in a subsidiary's ownership interest that do not result in change in the control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any differences between the adjusted balance of the non-controlling interests amount by which the non-controlling and the fair value of the consideration paid or received are recognised directly in equity attributable to the Parent Company's owners. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary.
- Derecognises the carrying amount of non-controlling interests.
- Derecognises the cumulative foreign currencies translation differences recorded in equity.
- Recognises the fair value of the consideration received.
- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in profits or losses.
- Reclassifies the Parent Company's share of the items previously recognised in other comprehensive income to the profit or loss or retained earnings, as appropriate.

3.5 Inventories

Inventories are valued at the lower of average cost or net realizable value after providing allowances for any obsolete or slow-moving items. Inventories cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined on a weighted average basis.

Net realizable selling value is the estimated selling price in the ordinary course of business less the costs of completion and selling expenses. Obsolete and slow-moving items are written off based on their expected future use and net realizable selling value.

3.6 Investment properties

Investment properties include current properties, properties under construction or redevelopment held for gaining rentals or increase in the market value or both. Investment properties are initially recognized at cost, which contains purchase price and its related transaction costs less accumulated depreciation and impairment. Land, where investment properties are constructed thereon, is not depreciated. Depreciation is computed on a straight-line method based on useful lives of buildings which are determined at 30 years and the right-of-use assets that are determined at 7 years.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company. The cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Investment properties are derecognized when they have been disposed of (i.e. at the date of transfer of control to the purchaser) or when they are definitively withdrawn from use and no future economic benefit is expected from its disposal. Profits or losses arising on disposal or termination of an investment property are recognized in the consolidated statement of profit or loss.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of its development for selling purposes. If a property being used by the owner is transferred to investment property, the Group will account for such property as per the applicable accounting policy for property and equipment up to date of the usage change and transfer.

3. Significant accounting policies (Continued)

3.7 Property, plant and equipment

The initial cost of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and inspection, are normally charged to consolidated statement of profit or loss in the period in which the expenses are incurred. In situations where it can be clearly demonstrated that the expenses have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenses are capitalized as an additional cost of property, plant and equipment.

Cost

Property, plant and equipment are stated (excluding right of use) at cost less accumulated depreciation and impairment losses. When assets are sold or disposed of, their cost and accumulated depreciation are eliminated from the accounts and any profit or loss resulting from their disposal is included in the consolidated statement of profit or loss. The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Capital works in progress are recorded at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs that are capitalized at assets fulfilling conditions of capitalization of borrowing costs as per the accounting policy of the Group. Such capital works in progress are classified within appropriate categories of items of property, plant and equipment when completed as deemed as ready for use. Depreciation of such assets starts when they are ready for use in the intended purpose, in the same way as other items of property, plant and equipment.

Reassessment

Right of use of leasehold land is shown at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Increases in the carrying amount arising on revaluation of right of utilization of leasehold land are credited to revaluation surplus in other comprehensive income.

Decreases that offset previous increases of the same asset are charged against revaluation surplus directly in other comprehensive income; all other decreases are charged to the consolidated statement of profit or loss for the period.

Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the consolidated statement of profit or loss for the period and depreciation based on the asset's original cost is transferred from revaluation surplus to retained earnings.

When revalued assets are sold, the amount included in revaluation surplus is transferred to retained earnings.

Depreciation is computed on a straight-line basis over the estimated useful life of the following items except for the trucks and drilling equipment, which are depreciated based on the production number of hours method as follows:

3. Significant accounting policies (Continued)

3.7 Property, plant and equipment (Continued)

Reassessment (continued)

	Years
Right-of-use assets	2 - 5
Right of utilization of leasehold land	15
Marine facilities and equipment, drilling equipment and heavy equipment	7 - 20
Furniture and office fixtures	4 - 10
Buildings, camps, fixtures and communication equipment	2 - 10
Transport vehicles	3 - 10
Workshop tools and equipment	1 - 5

The useful life and depreciation method are periodically reviewed to ensure that the method and period of depreciation are consistent with the expected economic benefit from items of property, plant and equipment.

3.8 Financial instruments

The Group classifies its financial instruments as financial assets and financial liabilities. Financial assets and financial liabilities are recognized when the Group becomes a party of the contractual provisions of such instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. The interests, distributions, profits, and losses relating to financial instrument classified as liabilities are included as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

The financial assets and liabilities carried on the consolidated statement of financial position include cash and cash equivalents, term deposits, financial assets at fair value through profit or loss, accounts receivable and other debit balances, financial assets at fair value through other comprehensive income, due to banks, term loans, Murabaha payables, lease liabilities, accounts payable and other credit balances and advance payment from customers.

Financial assets:

Recognition, initial measurement and derecognition
The Group determines classification and measurement category of financial assets, IFRS 9 requires assessment of all financial assets - except equity instruments and derivatives - based on the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objectives and contractual cash flows. Where the Group covers the business model mainly in order to collect the contractual cash flows from assets only or to collect the contractual cash flows and the cash flows resulted from sale of the assets. If none of the objectives applies (i.e. assets held for trading), the financial assets are classified as a part of the business model "Sell" and measured as per the fair value through profits or loss. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios.

Purchases and sales of those financial assets are recognised on the trade date i.e. the date on which the Group commits to purchase or sell the assets. The financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

3. Significant accounting policies (Continued)

3.8 Financial instruments (Continued)

Financial assets: (continued)

Recognition, initial measurement and derecognition (continued)
Financial assets are derecognized when: the contractual rights to receive cash flows from the financial assets have been expired; or the Group has transferred its rights to receive cash flows from the financial asset and either (a) has transferred substantially all risks and rewards of ownership associated with the financial asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset. The Group has retained control, it shall continue to recognize the financial assets to the extent of its continuing involvement in the financial assets.

Classification of financial assets
Financial assets are classified in the consolidated financial statements into the following categories upon initial recognition:
- Debt instruments carried at amortised cost
- Debt instruments at fair value through other comprehensive income.
- Equity instruments at fair value through other comprehensive income.
- Equity instruments at Fair value through profit or loss.

Subsequent measurement

Debt instruments carried at amortised cost
Financial assets are measured at amortised cost if they meet both of the following conditions and are not designated as at fair value through profit or loss:
- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments measured at amortized cost are subsequently measured at amortized cost using the effective yield method adjusted for impairment losses, if any. Profits and losses are recognized in the consolidated statement of profit or loss when the asset is derecognised, adjusted or impaired.

The financial assets carried at amortised cost include cash and cash equivalents, term deposits, and accounts receivable and other debit balances that are classified as debt instruments at amortised cost.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand and at banks, bank deposit with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Term deposits
Term deposits are placed with banks and have a contractual maturity of more than three months.

Accounts receivable and other debit balances
Accounts receivable and other debit balances are amounts due from customers for sale of goods or rendering services in the ordinary course of business. Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

Receivable, which are not designated under any of the above are classified as "other debit balances".

3. Significant accounting policies (Continued)

3.8 Financial instruments (Continued)

Financial assets: (continued)

Financial Assets carried at fair value through profit or loss
The Group classifies the financial assets as held for trading primarily when purchased or issued in order to achieve short-term profits through trading activities or when they form a part of a financial instruments portfolio that are managed together, there is an evidence for emerging a new pattern to achieve short-term profits. Assets held for trading are recognized and measured at fair value in the consolidated statement of financial position.

Profits or losses on the change in fair value, profits or losses on sale and interest income and dividends are recognized in the consolidated statement of profit or loss under the contract conditions or when the right to receive the profits amount is established.

Equity instruments at fair value through other comprehensive income
Upon initial recognition, the Group may elect to classify irrevocably some of its equity instruments at fair value through other comprehensive income when they meet the definition of Equity under IAS (32) Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by- instrument basis.

Profits and losses on these equity instruments are never recycled to the consolidated statement of profit or loss. Dividends are recognized in consolidated statement of profit or loss when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in other comprehensive income. Equity instruments at fair value through other comprehensive income are not subject to an impairment assessment.

Upon disposal, cumulative gains or losses are reclassified from accumulated changes in fair value to retained earnings in the statement of changes in equity.

The Group classifies investments in unquoted equity instruments under the financial assets at fair value through other comprehensive income in the consolidated statement of financial position.

Impairment of financial assets
The Group recognizes a provision for expected credit losses ("ECLS") for all debt instruments not held at fair value through profit or loss.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For receivables and other debit balances, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime ECLs. Accordingly, the Group does not track changes in credit risk and assesses impairment on a collective basis. The Group has established a provision matrix that is based on the historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Exposures were segmented based on common credit characteristics such as credit risk grade, geographic region and industry, delinquency status and age of relationship where applicable.

3. Significant accounting policies (Continued)

3.8 Financial instruments (Continued)

Financial assets: (continued)

Impairment of financial assets (contineud)
Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument. ECLs that are measured at amortised cost are deducted from total carrying amount of the assets and charged to the consolidated statement of profit or loss. For the financial debt instruments designated at fair value through other comprehensive income, the allowance is charged to the consolidated statement of profit or loss.

Financial liabilities:

All financial liabilities are initially recognized at fair value and in case of loans, borrowings and creditors directly attributable transactions costs are discounted. All financial liabilities are subsequently measured at fair value through profit or loss or at amortised cost using the effective interest rate method.

Accounts payable and other credit balances
This item includes trade and other payables. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non - current liabilities.

Loans
Loans are initially recognized at net fair value less the incurred transaction costs. Loans are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest rate method.

Cost of granting loans is calculated within costs of loans operations to the extent based on which all or some of such facilities are likely to be withdrawn in this case. Such expenses are deferred until withdrawal of the loans. To the extent of the non-existence of an evidence of the probability to withdraw some or all the loans, fees shall be capitalized as an advance payment for liquidity services and amortized over the period of loans.

Murabaha payables
Murabaha payables represent the amount payable on a deferred settlement basis for items purchased in accordance with agreements of Murabaha contracts. Murabaha payables balance is stated at total of the amount payable, net of finance costs related to the future periods. Future finance costs are amortized when matured on a time proportion basis using the effective interest method.

Derecognition of financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified. Exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of profit or loss.

3. Significant accounting policies (Continued)

3.8 Financial instruments (Continued)

Financial liabilities: (continued)

Offset of financial assets and liabilities
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.9 Impairment of non-financial assets

At the consolidated financial position date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, the Group's assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. Reversal of impairment losses are recognized immediately in the consolidated statement of profit or loss.

3.10 Equity and reserves

Capital represents the nominal value of shares that have been issued.

(Statutory, voluntary and general) reserves represent retained amounts from annual profits in such accounts under requirements of the Parent Company's Memorandum of Incorporation and Articles of Association, and Companies Law and its Executive Regulations.

Retained earnings include the current profits for the year and prior years retained profits.

3.11 Share premium

The share premium represents increase of the cash collected, once issuance of shares, over the nominal value of the issued shares. The share premium is not distributable except for circumstances stipulated by the Law.

3. Significant accounting policies (Continued)

3.12 Treasury shares

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Group and not yet reissued or canceled. Treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, profits are credited to a separate account in shareholders' equity "treasury shares reserve" which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings, reserves, and then share premium respectively. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in reserves, retained earnings and treasury shares reserve respectively. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Where any Group's company purchases the Parent Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs is included in equity attributable to the Parent Company's shareholders.

3.13 Dividends to shareholders

The Group recognizes cash and non-cash dividends to the Shareholders of the Parent Company as liabilities when such dividends are finally approved, and when decision on such dividends is no longer at the discretion of the Group. Such dividends are approved when they are agreed upon by the Annual General Assembly of the Parent Company's Shareholders, and value of such dividends is recognized in equity.

When distributing such non-cash dividends, the difference between the carrying value of that liability and the carrying value of the distributed assets is recognized in the consolidated statement of profit or loss.

Dividends approved after the consolidated financial statements date are disclosed as events subsequent to the consolidated statement of financial position date.

3.14 Provision for end of service indemnity

Provision for end of service indemnity is made under the Labour Law in the private sector. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination at the end of the reporting period, and approximates the present value of the final obligation.

3.15 Provisions

Provisions are recognized where the Group has a present legal or probable obligation as a result of a past event, it is probable that the Entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. At the end of each financial period, provisions are reviewed and adjusted to reflect the best current estimate. When the time value of money has material effect, the amount recognized as a provision must be the present value of the expected expenses required to settle the obligation. Provisions for future operating losses are not recognized.

3. Significant accounting policies (Continued)

3.16 Revenue recognition

Revenue is measured based on the consideration to which the Parent Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

The Group follows a 5-step process:
- Identifying the contract with a customer
- Identifying the performance obligations
- Determine the transaction price
- Allocating the transaction price to the performance obligations
- Recognising revenue when/as performance obligation(s) are satisfied

The total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The Standard also specifies method of accounting for the additional costs to obtain the contract and the costs that are directly attributable to the contract execution. The standard also requires comprehensive disclosures.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group shall transfer control of goods or services over a period of time (and not at a specific time) upon fulfillment of any of the following criteria:
- The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.
- The Group's performance creates or enhances an asset (e.g., work in process) that the customer controls as the asset is created or enhanced.
- The Group's performance does not establish an asset that has an alternative usage to the Entity. The Entity has enforceable right in payments against the completed performance to date.

Control shall be transferred at a specific time if any of the criteria required for transferring goods or service is not met over a period of time. The following items should be considered by the Group whether or not control over the assets is transferred:
- The Group shall have immediate right in payments against the asset.
- The customer shall have a legal right in the asset.
- The Group shall transfer the physical possession to the asset.
- The customer shall have the significant risks and benefits of ownership of the asset.
- The customer shall accept the asset.

Contract liabilities & assets
The Group recognizes contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the consolidated statement of financial position. Similarly, if the Group satisfies the performance obligations before it receives the consideration, the Group recognizes either a contract assets or a receivables in consolidated statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

3. Significant accounting policies (Continued)

3.16 Revenue recognition (Continued)

Costs to obtain the contract
Incremental costs of obtaining a contract with a customer are capitalized when incurred as the Group expects to recover these costs and such costs would not have incurred if the contract has not been obtained. Sales commissions incurred by the Group are expensed as the amortization period of such costs is less than a year.

The Group income comprise the following:

Drilling contracts income
Drilling contracts income is recognized on accomplishment of rendering services to customers. Revenue is recognized over time based on the ratio between the number of hours of provided drilling services.

Transportation services
Transportation service income is recognized on accomplishment of rendering services to customers. Income is recognised at a specified time when the performance obligations are satisfied on rendering transportation services to the customer.

Rendering services
Income from service contracts is recognized when the services are rendered to the customers.

Equipment rental income
Income from rental equipment is recognized when earned on a time proportion basis.

Interest income
Interest income is recognised on a proportion basis using the effective interest rate method.

Other income and expenses
Other income and expenses are recognized on an accrual basis.

3.17 Leases

The Group as a lessor
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Other lease contracts are classified as financing leases. The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Operating lease
Rental income from operating leases is recognised on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as a lessee
The Group assesses at contract inception whether a contract is, or contains, a lease. The Group recognizes right-of use assets and the lease liabilities regarding all lease arrangements when it acts as the lessee.

3. Significant accounting policies (Continued)

3.17 Leases (Continued)

The Group as a lessee (Continued)

- **Right-of-use assets**
  The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made on or before the commencement date less any lease incentives received. The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right-of-use assets are subject to impairment.

- **Lease liabilities**
  The Group recognizes lease liabilities at the commencement date of the lease and are measured by the present value of the lease payments to be paid during the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option when the Group is reasonably certain that this option is exercised, and payments of penalties for terminating a lease if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

  In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of the lease liabilities is re-measured if there is an amendment or change in the lease term or a change in the content of the fixed lease payments or a change in the evaluation that is made to determine whether the underlying assets will be purchased.

- **Short-term leases and leases of low-value assets**
  The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

3.18 Foreign currency

Foreign currency transactions are translated into Kuwaiti Dinars at rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency as at the end of reporting period are retranslated into Kuwaiti Dinars at rates of exchange prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currency are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are carried on a basis of the historical cost and which are dominated in foreign currency are not retranslated.

3. Significant accounting policies (Continued)

3.18 Foreign curreency (Continued)

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the consolidated statement of profit or loss for the period. Exchange differences arising on the non-monetary items, i.e. investments in financial instruments which are classified as financial assets at fair value through profit or loss, are recognized within the profit or loss on the change in fair value. Exchange differences arising on the non-monetary items, i.e. investments in financial instruments which are classified as financial assets at fair value through other comprehensive income, are recognized within the accumulated changes in fair value" in the other comprehensive income.

3.19 Borrowing costs

Borrowing costs include interests and other costs incurred by the Entity with regard to borrowing of funds. Borrowing costs directly attributable to the acquisition, construction or production of assets qualified for capitalization, which are assets that require long time to get ready for their intended use or sale, are added to the cost of those assets, until they become substantially ready for their intended use or sale. Investment revenues received from temporary investment of specific loans, invested during period of non-utilization in disbursement are deducted from the recoverable costs of finance.

Other borrowing costs are recognized in the consolidated statement of profit or loss in the period in which they are incurred.

3.20 Contribution to Kuwait Foundation for the Advancement of Sciences

Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) is calculated at 1% of the profit attributable to the Parent Company's Shareholders before deducting the contribution to KFAS and Zakat, and Board of Directors' remuneration, and after deducting its share from the profits of Kuwaiti shareholding subsidiaries, transferred to statutory reserve account. Contribution to KFAS is not calculated for the financial year ended 31 December 2020 as there is no profit, based on which KFAS contribution could be calculated.

3.21 Contribution to Zakat

Zakat is calculated at 1% of the profit attributable to the Parent Company's Shareholders before deducting the contribution to KFAS and Zakat and Board of Directors' remuneration, and after deducting its share in Zakat contribution paid by the Kuwaiti shareholding subsidiaries, and cash dividends received from Kuwaiti shareholding companies in accordance with Law No. 46 of 2006 and Ministry of Finance Resolution No. 58 of 2007 and their Executive Regulations. Zakat contribution is not calculated for the financial year ended 31 December 2020 as there is no profit, based on which Zakat contribution could be calculated.

3.22 Contingent liabilities

Contingent liabilities are not recognised in the consolidated financial statements unless it is probable as a result of past events that an outflow of economic resources will be required to settle a present, legal or constructive obligation; and the amount can be reliably estimated. However, the contingent liabilities are disclosed unless the possibility of an outflow of resources embodying economic losses is remote.

Contingent assets are not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits as a result of past events is probable.

4. Significant accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumption about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and assumptions are based on the management's pervious experiences and other relevant internal and external factors. Actual results may vary from these estimations.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant accounting judgments

In the process of applying the Group's accounting policies, management has made the following significant judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Revenue recognition
Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The determination of whether the revenue recognition criteria as specified under IFRS 15 and revenue accounting policy explained in Note 3.16 are met requires significant judgment.

Classification of financial instruments
On acquisition of a financial asset, the Group decides whether it should be classified as "at fair value through profit or loss", "at fair value through other comprehensive income" or "at amortised cost". IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the Group's business model for managing the assets of the instrument's contractual cash flow characteristics.

The Group's status as a principal
The Group conducts a revision and assessment to determine whether its current status as a principal or an agent in its commercial transactions has changed. Such revision and assessment cover any change in the overall relationship between the Group and other parties dealing with the Group, which may mean that its current status as a principal or an agent has changed. Such as if changes occurred to rights of the Group or other parties, the Group would reconsider its current status as a principal or an agent. Initial assessment considers market conditions that originally led the Group to consider itself as principal working as a main principal or an agent in arrangements of revenues contracts. The Group concluded that it works as a main principal in all contracts and arrangements leading to revenues to the Group.

Provision for expected credit losses and inventory
The determination of the recoverability of the amount due from customers, marketable of inventory and the factors determining the impairment of the accounts receivable and inventory involve significant judgments.

Classification of Lands
Upon acquisition of lands, the Group classifies the land into one of the following categories, based on the intention of the management for the use of the land:

- Properties under development
  When the intention of the Group is to develop the lands for sale in the future, both lands and construction costs are classified as properties under development.

4. Significant accounting judgements and key sources of estimation uncertainty (Continued)

Significant accounting judgments (Continued)

Classification of Lands (Continued)

- Works in progress
  When the intention of the Group is to develop the lands for lease or utilization in the future, both lands and constructions are classified as works in progress.

- Properties held for trading
  When the intention of the Group is to sell lands in the ordinary course of business of the Group, the lands are classified as properties held for trading.

- Investment properties
  When the intention of the Group is to lease or hold lands for capital appreciation or if the intention is not determined, the lands are classified as investment properties.

Leases
Significant opinions on requirements for applying IFRS 16 include, among others, the following:

- Determine whether the contract (part thereof) contains a lease.
- Determine whether it is reasonably certain that extension or termination option will be exercised.
- Classification of lease agreements (when the entity is the lessor).
- Determine whether the variable payments are substantially fixed.
- Determine whether there are multiple leases in the arrangement.
- Determine the sale price of leased and non-leased items.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at date of the consolidated statement of financial position, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed below:

Fair value of unquoted financial assets
The Group calculates the fair value of financial assets that are not quoted in active market (or unlisted securities) by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. This valuation requires the Group to make estimates about expected future discounted cash flows that are subject to uncertainty.

Provision for expected credit losses of trade receivables
The Group uses a provision matrix to calculate ECLs of trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geographical region, services type, customer and type). The provision matrix is initially based on the Group's historical observed default rates.

The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of expected credit losses is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information on the ECLs of the Group's trade receivables is disclosed in Note 7.

4. Significant accounting judgements and key sources of estimation uncertainty (Continued)

Estimation uncertainty (Continued)

Impairment of non-financial assets:
Impairment exists when the carrying amount of the asset (or cash generating unit) exceeds its recoverable amount, which is the higher of its fair value less costs to sell or its value in use. Calculation of the fair value less selling costs is carried out based on the available data from selling transactions in arm's length transactions from similar assets or available market prices less additional costs required for derecognition of the asset. Value in use is estimated based on cash flow discount model. Such cash flows arise from the financial budget for the next five years, which does not include restructuring activities that the Company is not yet abided by, or any significant investments that enhance performance of the asset (or cash generating unit) in the future. The recoverable amount is most sensitive to the discount rate used through the cash flow discount model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

Leases
The main items of estimation uncertainty for application of IFRS 16 include the following:
- Assessment of the lease term.
- Determination of the proper discount rate for the lease payments.
- Assessment whether right-of use assets have impaired.

5. Cash and cash equivalents

	2020 KD	2019 KD
Cash on hand and at banks	5,106,309	3,956,474
Short-term bank deposits	1,001,371	16,904,942
	6,107,680	20,861,416

The effective interest rate on the bank short-term deposits was 1.25% per annum (2019: 2.5% to 3.75% per annum). These deposits are contractually matured within 67 days (2019: 35 to 74 days).

6. Term deposits

The effective interest rate on term deposits ranging from 1.125% to 1.2% (2019: 2.5% to 2.875%) per annum. These deposits have contractually maturity rate of more than three months.

7. Accounts receivable and other debit balances

	2020 KD	2019 KD
Trade receivables (a)	37,385,934	24,813,744
Provision for expected credit losses (B)	(3,636,114)	(3,436,114)
	33,749,820	21,377,630
Works done not invoiced	4,750,511	8,352,672
Advance payments to suppliers (c)	4,908,566	12,590,835
Dry-docking	301,122	439,878
Prepaid expenses	48,422	150,951
Other debit balances	1,053,095	657,339
	44,811,536	43,569,305

7. Accounts receivable and other debit balances (Continued)

a) Trade receivables:
Trade receivables balances are interest free and are normally due within 90 days. The aging analysis of trade receivables balances is as follows:

	Less than 90 days	90 – 180 days	181 – 360 days	361 - 720 days	More than 720 days	Total
2020	25,393,756	3,174,258	1,971,107	1,158,414	5,688,399	37,385,934
2019	17,118,149	579,029	745,495	1,498,015	4,873,056	24,813,744

b) Provision for expected credit losses:
Movement on provision for ECLs during the year is as follows:

	2020	**2019**
	KD	KD
Balance at beginning of the year	3,436,114	3,196,114
Charged during the year	200,000	240,000
Balance at end of the year	3,636,114	3,436,114

c) This item represents advance payments to suppliers for purchasing property, plant and equipment.

8. Inventories

	2020	**2019**
	KD	KD
Spare parts	5,233,974	4,609,547
Provision for slow moving inventory (a)	(393,803)	(340,280)
	4,840,171	4,269,267

a) Provision for slow moving inventory:
The movement in the provision for slow moving inventory is as follows:

	2020	**2019**
	KD	KD
Balance at beginning of the year	340,280	302,501
Charged during the year	53,523	37,779
Balance at end of the year	393,803	340,280

9. Financial assets at fair value through other comprehensive income

	2020	**2019**
	KD	KD
Quoted securities	1,054,588	1,350,872
Unquoted securities	369,187	425,070
	1,423,775	1,775,942

Financial assets at fair value through other comprehensive income are denominated in the following currencies:

	2020	**2019**
KD	1,399,653	1,751,820
USD	24,122	24,122
	1,423,775	1,775,942

10. Derrick barge under construction

It represents costs of purchase and construction of a new marine barge "Jawhara 3". the construction of marine barge has been completed during the financial year ended 31 December 2020, , accordingly, it was transferred the cost related to it to property, plant and equipment item.

Movement in derrick barge under construction is as follows:

	2020	2019
	KD	KD
Balance at beginning of the year	6,145,215	1,424,866
Additions during the year	808,603	4,561,320
Finance interests capitalized	82,987	159,029
Transferred to property, plant and equipment (Note 12)	(7,036,805)	-
Balance at end of the year	-	6,145,215

11. Investment property

	Building	Right-of-use assets	Total
	KD	KD	KD
Cost:			
As at 31 December 2019	2,228,221	147,065	2,375,286
As at 31 December 2020	2,228,221	147,065	2,375,286
Accumulated depreciation:			
As at 31 December 2019	111,418	21,009	132,427
Charged for the year	74,274	21,009	95,283
As at 31 December 2020	185,692	42,018	227,710
Net carrying value:			
As at 31 December 2020	2,042,529	105,047	2,147,576
As at 31 December 2019	2,116,803	126,056	2,242,859

Fair value of investment property was KD 5,592,000 as at 31 December 2020 and has been valuated by an independent and approved valuer who has relevant experience and competent professionalism using generally accepted valuation bases and models.

The building is constructed on the right of utilization of leasehold land from the Public Authority for Industry in the State of Kuwait at East of Al-Ahmadi Area, which expired on 28 October 2020 and its renewal is in process.

12. Property, plant and equipment

	Right-of-use assets	Right of utilization of leasehold land	Marine facilities and equipment, drilling equipment and heavy equipment	Furniture and office fixtures	Buildings, camps, fixtures and communication equipment	Transport vehicles	Workshop tools and equipment	Capital works in progress	Total
	KD	KD	KD	KD	KD	KD	KD	KD	KD
Cost:									
As at 31 December 2019	224,644	2,553,359	518,663,157	6,136,500	27,588,633	9,405,943	1,890,640	14,409,973	580,872,849
Additions	4,508	-	1,843,045	76,242	19,805	-	39,872	15,767,940	17,751,412
Disposals	-	-	-	-	-	(25,900)	-	-	(25,900)
Transferred from a derrick barge under construction (Note 10)	-	-	7,036,805	-	-	-	-	-	7,036,805
Transfer from capital works in progress	-	-	19,191,896	-	-	46,200	-	(19,238,096)	-
As at 31 December 2020	**229,152**	**2,553,359**	**546,734,903**	**6,212,742**	**27,608,438**	**9,426,243**	**1,930,512**	**10,939,817**	**605,635,166**
Accumulated depreciation and amortization:									
As at 31 December 2019	64,890	415,859	208,824,200	4,885,068	17,047,894	6,624,988	1,779,154	-	239,642,053
Charged during the year	65,189	118,750	21,938,894	274,277	1,542,503	396,725	67,023	-	24,403,361
Related to disposals	-	-	-	-	-	(25,900)	-	-	(25,900)
As at 31 December 2020	**130,079**	**534,609**	**230,763,094**	**5,159,345**	**18,590,397**	**6,995,813**	**1,846,177**	-	**264,019,514**
Net carrying value:									
As at 31 December 2020	**99,073**	**2,018,750**	**315,971,809**	**1,053,397**	**9,018,041**	**2,430,430**	**84,335**	**10,939,817**	**341,615,652**
As at 31 December 2019	159,754	2,137,500	309,838,957	1,251,432	10,540,739	2,780,955	111,486	14,409,973	341,230,796

The depreciation and amortization charged for the year were allocated as follows:

	2020	2019
	KD	KD
Operating costs	24,107,262	25,113,935
Consolidated Statement of Profit or Loss	296,099	233,155
	24,403,361	25,347,090

12. Property, plant and equipment (Continued)

Property, plant and equipment with a net carrying value of KD 40,710,262 (2019: KD 43,422,833) were pledged against term loans obtained by a subsidiary (Note 13).

The Group has right of utilization of leasehold land from the Public Authority for Industry inside State of Kuwait - East of Al-Ahmadi Area expiring on 7 November 2021 and is renewable. The right of utilization is pledged against term loans obtained by a subsidiary (Note 13).

The derrick barge with a carrying value of KD 6,816,905 and attached equipment, which is covered by the insurance, are pledged against term loans (Note 13).

Capital works in progress represents trucks and drilling equipment in process of installation.

Interest on bank facilities capitalized during the year relating to property, plant and equipment amounted to KD 166,190 (2019: KD 717,673).

13. Term loans

Term loans represent bank facilities granted to the Group by local banks. They include term loans dominated in KD and carrying interest rates ranging from 0.75% to 1.625% per annum (2019: 0.75% to 1.625% per annum) over the Central Bank of Kuwait discount rate, and term loans dominated in USD carrying interest rates at 3% per annum (2019: from 3% to 3.5% per annum) over LIBOR rate.

Term loans are dominated in the following currencies:

	2020	2019
KD	238,650,844	249,732,427
USD	4,343,034	4,547,091
	242,993,878	254,279,518

Certain term loans are secured against pledge over certain property, plant and equipment (Note 12) and promissory notes and the assignment of all the receivables under the operational contract with AGOC / KGOC also the corporate guarantee from the Parent Company.

14. Murabaha payables

This item represents facilities granted by a local Islamic bank carrying a cost rate ranges from 0.5% to 1% (2019: 1%) per annum, over the Central Bank of Kuwait discount rate. Such facilities are guaranteed against promissory notes.

15. Lease liabilities

	2020	2019
	KD	KD
Lease liabilities	196,107	302,340
Unamortized future finance expenses	(12,878)	(21,458)
	183,229	280,882

15. Lease liabilities (Continued)

Lease liabilities represent the following:

	2020	2019
	KD	KD
Current portion	58,910	74,330
Non-current portion	124,319	206,552
	183,229	280,882

16. Accounts payable and other credit balances

	2020	2019
	KD	KD
Trade payables	23,690,972	34,587,699
Accrued expenses	5,181,846	2,206,383
Employees' accrued leaves	5,609,104	4,544,005
Dividends payable	135,699	106,764
Accrued Board of Directors' remuneration	56,000	-
	34,673,621	41,444,851

Accounts payable and other credit balances item is as follows:

	2020	2019
	KD	KD
Current portion	33,388,968	41,444,851
Non-current portion	1,284,653	-
	34,673,621	41,444,851

17. Provision for end of service indemnity

	2020	2019
	KD	KD
Balance at beginning of the year	6,181,334	5,700,107
Charged for the year	1,212,848	1,171,566
Paid during the year	(502,851)	(687,134)
Provision no longer required	(32,324)	(3,205)
Balance at end of the year	6,859,007	6,181,334

18. Share capital

The Company's authorized, issued, and fully paid up share capital is KD 22,916,620 divided into 229,166,200 shares, each of a nominal value of 100 fils. All shares are in cash.

19. Statutory reserve

In accordance with the requirements of the Companies' Law and the Parent Company's Articles of Association, 10% of the profit for the year, before the contribution to KFAS and Zakat and Board of Directors' remuneration, is to be transferred to the statutory reserve account. The Parent Company may resolve to discontinue such transfer when the reserve balance exceeds 50% of the share capital. Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid-up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount.

20. Voluntary reserve

In accordance with the requirements of the Parent Company's Articles of Association, 10% of the profit for the year is to be transferred, before contribution to KFAS and Zakat and board of directors remuneration, to the voluntary reserve account. Such transfer may be discontinued by a resolution of the Annual General Assembly of the Parent Company's Shareholders upon recommendation by the Board of Directors. In accordance with decision of the General Assembly of the Parent Company's Shareholders, the Company has discontinued transfers to the voluntary reserve account in the preceding years.

21. Subsidiary holding a non-controlling interest in a material ratio to the Group

Name of the subsidiary	Country of incorporation	Ownership percentage held by the Group %		Ownership percentage of non-controlling interests %		Principal activities
		2020	2019	2020	2019	.
Kuwait Drilling Company - K.S.C. (Closed)	State of Kuwait	51%	51%	49%	49%	Carrying out all drilling operations

As at 31 December 2020, total non-controlling interests amounted to KD 47,652,533 (2019: KD 47,587,767).

Summarized financial information of the above-mentioned subsidiary holding non-controlling interests in a material ratio of the Group:

Summarized consolidated statement of financial position:

	2020 KD	2019 KD
Currents assets	50,456,780	64,165,695
Non-current assets	329,232,324	335,418,210
Total assets	379,689,104	399,583,905
Current liabilities	50,450,093	74,860,624
Non-current liabilities	231,988,945	227,605,390
Total liabilities	282,439,038	302,466,014
Net assets	97,250,066	97,117,891
Ownership percentage held by the Parent Company (%)	51%	51%
Net assets attributable to the Parent Company	49,597,533	49,530,124
Ownership percentage held by non-controlling interests (%)	49%	49%
Net assets of non-controlling interests	47,652,533	47,587,767

Summary of consolidated statement of profit or loss:

	2020 KD	2019 KD
Revenues	117,424,545	122,610,254
Expenses and other charges	(115,092,370)	(120,306,193)
Net profit for the year	2,332,175	2,304,061
Ownership percentage held by the Parent Company (%)	51%	51%
Profit for the year attributable to the Parent Company	1,189,409	1,175,071
Ownership percentage held by non-controlling interests (%)	49%	49%
Profit for the year attributable to non-controlling interests	1,142,766	1,128,990

22. Operating income

	2020		
	State of Kuwait	**Neutral zone**	**Total**
	KD	KD	KD
Revenue type:			
Marine and oil contracting services	116,045,533	8,260,458	124,305,991
Timing of revenue recognition:			
Services transferred over time	116,045,533	8,260,458	124,305,991

	2019		
	State of Kuwait	**Neutral zone**	**Total**
	KD	KD	KD
Revenue type:			
Marine and oil contracting services	122,848,636	6,636,782	129,485,418
Timing of revenue recognition:			
Services transferred over time	122,848,636	6,636,782	129,485,418

During the financial year ended 31 December 2020, operating income includes revenues from service contracts with a related party of KD 37,674,464 (2019: KD 44,553,311).

23. Staff costs

The staff costs have been allocated as follows:

	2020	**2019**
	KD	KD
Operating costs	22,155,271	21,055,980
General and administrative expenses	2,306,305	2,943,440
	24,461,576	23,999,420

24. Other income

Other income item includes an amount of KD 1,443,397 represents a financial support provided by the government authorities to employers for the national labor in accordance with the Council of Ministers' resolution No. 654 of 2020.

25. Basic and diluted earnings per share attributable to the Parent Company's shareholders

There are no potential dilutive ordinary shares. Earnings per share is computed by dividing the profit for the year attributable to the Parent Company's Shareholders by the weighted average number of shares outstanding during the year.

	2020	**2019**
Profit for the year attributable to the Parent Company's Shareholders (KD)	2,680,093	1,627,888
	Share	**Share**
Number of shares issued and fully paid	229,166,200	229,166,200
Less: weighted average number of treasury shares	(504,148)	(504,148)
Weighted average number of outstanding shares (shares)	228,662,052	228,662,052
	Fils	**Fils**
Basic and diluted earnings per share attributable to the Parent Company's shareholders	11.72	7.12

26. Related party disclosures

The Group has entered into various transactions with related parties, i.e. major Shareholders, key management personnel, and other related parties. Prices and terms of payment relating to these transactions are approved by the Group's management. Significant related parties' balances and transactions are as follows:

Balances included in consolidated statement of financial position:

	Other related parties	2020	2019
	KD	KD	KD
Accounts receivable and other debit balances	35,772,837	35,772,837	30,087,070
Advance payments from customers	8,200,771	8,200,771	15,749,425

Transactions included in the consolidated statement of profit or loss:

	Other related parties	2020	2019
	KD	KD	KD
Operating income	108,418,548	108,418,548	119,318,418

Key management personnel benefits:

	2020	2019
	KD	KD
Short term benefits	667,867	888,586
End of service indemnity benefits	36,878	85,433
Board of directors remuneration	56,000	-
Committees' benefits	-	40,000
	760,745	1,014,019

27. General assembly of Parent Company's Shareholders and dividends

The Parent Company's board of directors proposed during its meeting held on 3 March 2021 distribution of cash dividends at 5 fils per share at total amount of KD 1,143,310for the financial year ended 31 December 2020.Further, it proposed a board of Directors remuneration of KD 56,000 for the financial year ended 31 December 2020. Such proposal is subject to the approval of General Assembly of Parent Company's Shareholders.

The annual Ordinary General Assembly of the Parent Company's Shareholders held on 30 June 2020 approved the consolidated financial statements for the year ended 31 December 2019. It also approved to distribute cash dividends of 5 fils per share of KD 1,143,310, and not to distribute a board of directors' remuneration for the year ended 31 December 2019.

The annual Ordinary General Assembly of the Parent Company's Shareholders held on 6 May 2019 approved the consolidated financial statements for the year ended 31 December 2018. It also approved to distribute cash dividends of 5 fils per share of KD 1,143,310, and not to distribute a board of directors' remuneration for the year ended 31 December 2018.

28. Contingent liabilities and capital commitments

The Group had the following contingent liabilities and capital commitments:

(a) Contingent liabilities:

	2020	2019
	KD	KD
Letters of guarantee	84,379,371	110,780,345
Letters of credit	99,589	651,992
	84,478,960	111,432,337

(b) Capital commitments:

	2020	2019
	KD	KD
Payment for purchase of property, plant and equipment	99,589	651,992

29. Financial risk management

a) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Group's sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets.

In order to maintain or adjust the optimized structure of capital resources, the Group may organize the amount of dividends paid to shareholders, reduce the paid up capital, issue new shares, sell certain assets to reduce debts, and obtain new loans.

The Group monitors the share capital based on the gearing ratio to share capital. The ratio is calculated as net debt divided by share capital. Net debts is calculated as total borrowings less cash and cash equivalents and term deposits. Total capital is calculated as equity, which is shown in the consolidated financial position, plus net debts.

For the purpose of capital risk management, the total share capital consists of the following:

	2020	2019
	KD	KD
Due to banks	29,067	179,712
Term loans	242,993,878	254,279,518
Murabaha payables	12,700,000	6,750,000
Less: cash and cash equivalents	(6,107,680)	(20,861,416)
Less: term deposits	(1,453,035)	(260,637)
Net debt	248,162,230	240,087,177
Total equity	97,116,430	95,867,050
Total share capital	345,278,660	335,954,227
Debt to total capital ratio	71.87%	71.46%

29. Financial risk management (Continued)

b) Categories of financial instruments

	2020	2019
	KD	KD
Financial assets		
Cash and cash equivalents	6,107,680	20,861,416
Term deposits	1,453,035	260,637
Financial assets at fair value through profit or loss	356,578	377,335
Accounts receivable and other debit balances (excluding prepaid expenses and advance payments to suppliers)	39,854,548	30,827,519
Financial assets at fair value through other comprehensive income	1,423,775	1,775,942
Financial liabilities		
Due to banks	29,067	179,712
Term loans	242,993,878	254,279,518
Murabaha payables	12,700,000	6,750,000
Accounts payable and other credit balances	34,673,621	41,444,851
Advance payments from customers	8,200,771	15,749,425

c) Interest rate risk

Financial instruments are exposed to the risk of changes in value due to changes in levels of interest rate for its financial assets and liabilities that carry floating interest rates. The effective interest rates and periods during which the financial liabilities are re-priced or become due are listed in the notes thereto.

The following table demonstrates effect of sensitivity of the reasonable potential change in interest rates, with all other variables held constant, on the Group's profit through the effect of changing the interest rate:

	Increase / (decrease) in interest rate	Balance as at 31 December	Effect on the statement of profit or loss and other comprehensive income
		KD	KD
2020			
Short-term bank deposits	± 0.5%	1,001,371	± 5,007
Term deposits	± 0.5%	1,453,035	± 7,265
Due to banks	± 0.5%	29,067	± 145
Term loans	± 0.5%	242,993,878	± 1,214,969
Murabaha payables	± 0.5%	12,700,000	± 63,500
2019			
Short-term bank deposits	± 0.5%	16,904,942	± 84,525
Term deposits	± 0.5%	260,637	± 1,303
Due to banks	± 0.5%	179,712	± 899
Term loans	± 0.5%	254,279,518	± 1,271,398
Murabaha payables	± 0.5%	6,750,000	± 33,750

d) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge a contractual obligation causing the other party to incur a financial loss. Financial assets, which potentially subject the Group to credit risk consist principally of cash and cash equivalents and trade receivables. Trade receivables are recognised net of provision for ECLs.

29. Financial risk management (Continued)

d) Credit risk (Continued)

Trade receivables
The Group applies the IFRS 9 simplified model of recognizing lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. In measuring the ECLs, trade receivables have been assessed on a collective basis respectively and classified based on shared credit risk characteristics and the days past due.

The expected losses rates are based on the payment profile of income or ageing customers. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. However given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the period of consolidated financial statements.

During the year ended 31 December 2020, the Group has recorded an additional provision for expected credit losses of KD 200,000 (2019: KD 240,000).

Trade receivables are written off (i.e. derecognized) when there is no reasonable expectation of recovery. Failure to make payments is considered indicators of no reasonable expectation of recovery and therefore is considered as credit impaired.

Cash and cash equivalents
The Group's cash and cash equivalents measured at amortized cost are considered to have a low credit risk and the loss allowance is calculated based on the 12 months expected loss. The Group's cash and short-term bank deposit are placed with high credit rating financial institutions with no previous history of default. Based on management's assessment, the expected credit loss impact arising from such financial assets are insignificant to the Group as the risk of default has not increased significantly since initial recognition.

The maximum limit of the Group's exposure to credit risk arising from default of the counterparty is the nominal value of the cash and cash equivalents, term deposits and accounts receivable and other debit balances.

Credit risk exposure
The carrying values for financial assets represent the maximum exposure to credit risks. The maximum net exposure to credit risk for assets categories at the consolidated financial statements date was:

	Gross maximum exposure	
	2020	**2019**
	KD	KD
Consolidated Statement of Financial Position		
Cash and cash equivalents	6,107,680	20,861,416
Term deposits	1,453,035	260,637
Accounts receivable and other debit balances (excluding prepaid expenses and advance payments to suppliers)	39,854,548	30,827,519
	47,415,263	51,949,572

The Group estimates concentration of risks in terms of trade receivables as low level due to most of trade receivables are due from governmental institutions.

29. Financial risk management (Continued)

e) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of financial instruments will be affected as a result of changes in foreign currency exchange rates. The Group incurs foreign currency risk on transactions that are denominated in a currency other than the Kuwaiti Dinar. The Group may reduce its exposure to fluctuations in foreign exchange rates through the use of derivative financial instruments. The Group ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinar. The Group is not exposed to these risks substantially.

f) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Group periodically assesses the financial viability of customers and invests in other investments that are readily realizable, along with planning and managing the Group's forecasted cash flows by maintaining adequate cash reserves, available effective bank credit lines and matching the maturity profiles of financial assets and liabilities.

The maturity of financial liabilities is as follows:

	2020			
	Within 3 months	3 - 12 Months	Over one year	Total
	KD	KD	KD	KD
Due to banks	-	29,067	-	29,067
Term loans	1,322,667	19,230,266	222,440,945	242,993,878
Murabaha payables	1,000,000	6,700,000	5,000,000	12,700,000
Lease liabilities	10,534	48,376	124,319	183,229
Accounts payable and other credit balances	14,085,038	19,303,930	1,284,653	34,673,621
Advance payments from customers	511,139	1,533,418	6,156,214	8,200,771
	16,929,378	46,845,057	235,006,131	298,780,566

	2019			
	Within 3 months	3 - 12 Months	More than a year	Total
	KD	KD	KD	KD
Due to banks	-	179,712	-	179,712
Term loans	-	35,259,530	219,019,988	254,279,518
Murabaha payables	-	6,750,000	-	6,750,000
Lease liabilities	-	74,330	206,552	280,882
Accounts payable and other credit balances	17,514,144	23,930,707	-	41,444,851
Advance payments from customers	2,020,144	6,060,431	7,668,850	15,749,425
	19,534,288	72,254,710	226,895,390	318,684,388

29. Financial risk management (Continued)

g) Equity price risk

Equity price risk is the risk that fair values of equity instruments decrease as the result of changes in level of equity indices and the value of individual stocks. The equity price risk exposure arises from the Group's investment in equity instruments that are classified as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage such risks, the Group diversifies its investee segments within its investment portfolio.

The following table demonstrates the sensitivity to a reasonably possible change in equity indices as a result of change in the fair value of these equity instruments, to which the Group had significant exposure as at 31 December:

	2020			2019		
Market index	**Change in equity price%**	**Effect on the consolidated statement of profit or loss**	**Effect on other comprehensive income**	Change in equity price%	Effect on the consolidated statement of profit or loss	Effect on other comprehensive income
Boursa Kuwait	**± 5%**	**± 3,628**	**± 52,729**	± 5%	± 3,797	± 67,544

30. Fair value measurement

The Group measures the financial assets, such as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, at fair value at the financial period end date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an arm's length transaction between market participants as at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability.
- In the absence of a principal market, in the most advantageous market for the asset or liability.

All financial instruments, measured or disclosed at fair value, are classified in the consolidated financial statements through a fair value hierarchy based on the lowest significant inputs level in proportion to the fair value measurement as a whole, as following:
Level 1: includes quoted market prices (unadjusted) in active markets for identical assets and liabilities.
Level 2: includes valuation techniques for which the lowest significant inputs level in proportion to the fair value measurement is directly or indirectly observable.
Level 3: includes valuation techniques for which the lowest significant inputs level in proportion to the fair value measurement is unobservable.

The following table shows an analysis of captions recorded at fair value by level of the fair value hierarchy:

2020	**Level 1**	**Level 2**	**Level 3**	**Total**
	KD	KD	KD	KD
Financial assets at fair value through profit or loss	72,554	17,201	266,823	356,578
Financial assets at fair value through other comprehensive income	1,054,588	-	369,187	1,423,775
Total	1,127,142	17,201	636,010	1,780,353

30. Fair value measurement (Continued)

2019	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
Financial assets at fair value through profit or loss	75,943	27,731	273,661	377,335
Financial assets at fair value through other comprehensive income	1,350,872	-	425,070	1,775,942
Total	1,426,815	27,731	698,731	2,153,277

31. Working capital

The consolidated financial statements have been prepared on a going concern basis, which assume that the Group will be able to realize its assets and discharge its liabilities in the normal course of business. The consolidated financial statements do not include any adjustments that might arise due to uncertainty of the Group's ability to continue as a going concern.

As at 31 December 2020, the Group's current liabilities exceeded its current assets by an amount of KD 6,182,935 (2019: KD 22,451,038).

In the opinion of the Group's management, the lending financial institutions will continue to provide and renew credit facilities due to the Group's asset quality and realized profits each financial year in addition to the Parent Company's ability to distribute annual cash dividends to the shareholders.

32. The economic situation due to Coronavirus

Due to the current major events arising from spread of Coronavirus (COVID-19), which affected the global economic situation, local and international financial markets and financial institutions have been affected. The Group is constantly monitoring the impact on it and how to manage the risks resulting from the outbreak of Coronavirus (COVID-19).

The Group has verified if there are any changes in judgments, estimates and risk management that should be taken into consideration and disclosed in the consolidated financial statements.

The Group considers that the time period for this event is not specified and it is difficult to anticipate any future results that might arise therefrom. Therefore, the financial impact cannot be reasonably determined on the Group's future results until the reporting date.

33. Comparative figures

Certain comparative figures for the year ended 31 December 2019 have been reclassified to conform with the current year classification. Such reclassification process did not result in any impact on profit for the year or total equity.